

## Message Text

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ACTION ARA-20

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R 082205Z JUL 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7489

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS SAN JOSE 2603

E.O. 11652: N/A

TAGS: ECON, PGOV, CS

SUBJECT: REPEAL OF COSTA RICA'S PENSIONADO LAW PROPOSED

1. BEGIN SUMMARY: THE ECONOMIC AFFAIRS COMMITTEE OF THE LEGISLATIVE ASSEMBLY IS CURRENTLY CONSIDERING DRASTIC AMENDMENT OF COSTA RICA'S POPULAR "PENSIONADO LAW," WHICH WOULD WIPE OUT ALMOST ALL SPECIAL PRIVILEGES. END SUMMARY.

2. PROPOSED BY DIPUTADO JOSE MANUEL SALAZAR NAVARRETE, WHO IS HEAD OF THE GOVERNMENT PARTY (PLN) IN THE ASSEMBLY, THE LAW WOULD ESTABLISH FOR THE FIRST TIME A MINIMUM AGE REQUIREMENT OF 55 AND INCREASE THE REQUIRED INCOME FROM ABROAD FROM \$300 TO \$580 PER MONTH. BENEFICIARIES UNDER THE CURRENT LAW ARE EXEMPT FROM CUSTOMS DUTIES AND IMPORT TAXES UP TO \$7,000 VALUATION OF HOUSEHOLD EFFECTS AND ARE PERMITTED TO IMPORT OR PURCHASE ONE AUTOMOBILE DUTY FREE EVERY FIVE YEARS. THE PROPOSED LAW WOULD ABOLISH THE EXEMPTION ON HOUSEHOLD EFFECTS AND PERHAPS LIMIT THE TAX FREE EXEMPTION TO THE INITIAL CAR ONLY. ON THIS POINT THE LANGUAGE OF THE BILL IS NOT AT ALL CLEAR.

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3. THE RESPONSIBILITY FOR THE ADMINISTRATION OF THE

PROGRAM IS TO BE MOVED FROM THE COSTA RICAN INSTITUTE OF TOURISM TO THE MINISTRY OF PUBLIC SECURITY. AS RETROACTIVE JURISDICTION OF ANY COSTA RICAN LAW IS UNCONSTITUTIONAL, IT IS PRESUMED THAT THE STATUS OF PENSIONADOS IN COSTA RICA UNDER THE EXISTING LAW WILL NOT BE AFFECTED.

4. SINCE THE COMMITTEE ON ECONOMIC AFFAIRS HAS A MAJORITY OF GOVERNMENT DEPUTIES AMONG ITS MEMBERS, THE PROPOSAL IS VERY LIKELY TO MEET THE APPROVAL OF THE COMMITTEE AND BE PASSED BY THE ASSEMBLY WITH ONLY A MINIMUM OF CHANGES. SHOULD IT BE ENACTED INTO LAW WITHOUT SUBSTANTIVE CHANGES, COSTA RICA'S PENSIONADO LAW WILL BECOME CONSIDERABLY LESS ATTRACTIVE TO POTENTIAL RETIREES.

5. THE FOLLOWING ARE SUMMARY EXTRACTS FROM THE PROPOSED LEGISLATION AND A COPY OF THE COMPLETE PROPOSAL WILL BE POUCHED.

(A) THE ADMISSION OF FOREIGNERS TO THE COUNTRY UNDER THE CATEGORY OF "RESIDENT PENSIONERS" OR "RESIDENT RENTIERS" IS HEREBY AUTHORIZED, IN ACCORDANCE WITH THIS LAW.

(B) IN ORDER TO OBTAIN RESIDENCY, INTERESTED PARTIES MUST SHOW JUSTIFICATION AND GIVE EVIDENCE THAT THEY QUALIFY FOR EITHER OF THE TWO CATEGORIES REFERRED TO ABOVE AND THAT THEY ENJOY THE BENEFIT OF STEADY PERMANENT REVENUES GENERATED ABROAD. IF IT IS A LIFE PENSION OR RETIREMENT ALLOWANCE IT MUST BE PAID BY AN "OFFICIAL" FOREIGN ORGANIZATION THAT IS RECOGNIZED BY THE COSTA RICAN GOVERNMENT.

(C) THE FOREIGNER WHO IS COVERED BY THE BENEFITS OF THIS LAW SHALL HAVE THE FOLLOWING REQUIREMENTS:

(1) BE OLDER THAN 55 YEARS.

(2) ENJOY THE BENEFIT OF STEADY PERMANENT REVENUES GENERATED ABROAD (PENSIONERS OR RENTIERS) OF NO LESS THAN 5,000 COLONES MONTHLY (APPROXIMATELY 580 U.S. DOLLARS).

(3) A RECORD OF GOOD CONDUCT. IN ORDER TO PROVE THIS THE PERSON MUST PROVIDE DULY AUTHENTICATED DOCUMENTS ATTESTING TO THE APPLICANT'S GOOD BEHAVIOR FROM THE OFFICIALS OF EVERY PLACE HE HAS LIVED.

(D) THE MINISTRY OF PUBLIC SECURITY WILL DETERMINE IF THE AMOUNT OF INCOME, PENSION, OR RETIREMENT--AS WELL AS ITS STABILITY, ORIGIN, AND OTHER CHARACTERISTICS--ARE APPROPRIATE UNDER THE LAW BEFORE AUTHORIZING RESIDENT

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STATUS TO A FOREIGNER. INTERESTED PARTIES MAY HAVE THEIR APPLICATIONS PROCESSED THROUGH COSTA RICAN CONSULAR OFFICIALS ACCREDITED IN THEIR COUNTRY OF RESIDENCE.

(E) THE MINISTRY OF PUBLIC SECURITY MAY AUTHORIZE OR REVOKE THE RESIDENCY IN COSTA RICA OF "PENSIONERS" OR "RENTIERS." THE ATTORNEY-GENERAL IS ALSO AUTHORIZED TO ASK THE MINISTRY OF PUBLIC SECURITY FOR

THE REVOCATION OF THE ORIGINAL AUTHORIZATION.

(F) THE PERSONS COVERED UNDER THIS LAW CANNOT ENGAGE IN REMUNERATIVE LABORS. THE MINISTRY OF PUBLIC SECURITY MAY NEVERTHELESS AUTHORIZE THOSE PERSONS WHO CAN CONTRIBUTE THEIR PROFESSIONAL SERVICES TO GOVERNMENT ORGANIZATIONS, AUTONOMOUS ENTITIES, OR INSTITUTIONS OF HIGHER EDUCATION TO THE BENEFIT OF THE COUNTRY.

(G) THE SUMS DECLARED AS INCOME FOR THE PURPOSE OF ENTITLEMENT TO THE BENEFITS OF THIS LAW SHALL BE EXEMPT FROM INCOME TAX.

(H) THE EXECUTIVE POWER WILL ESTABLISH PROCEDURES FOR THE EDUCATION AND ADMINISTRATION OF THIS LAW 30 DAYS AFTER ITS PUBLICATION.

(I) THIS DECREE REPEALS LAW NO. 4812 ON JULY 28, 1971.

(J) THIS LAW IS EFFECTIVE FROM DATE OF PUBLICATION.

TRANSITORY ARTICLE: PERSONS HAVING ACQUIRED AUTOMOBILES IN ACCORDANCE WITH ARTICLE 4 OF LAW NO. 4812 OF JULY 28, 1971, WILL MAINTAIN THE PREVIOUSLY GRANTED EXEMPTION FOR CUSTOMS DUTIES AND IMPORT TAXES. HOWEVER, IN THE EVENT OF LOSS FIRE, THEFT, OR TOTAL DESTRUCTION, OR AFTER THE EXPIRATION OF FIVE YEARS, NO EXEMPTION FROM IMPORT TAXES OR CUSTOM DUTIES WILL BE GRANTED FOR IOP REPLACEMENT AS IS PERMITTED UNDER THE LAW BEING REPLACED.  
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